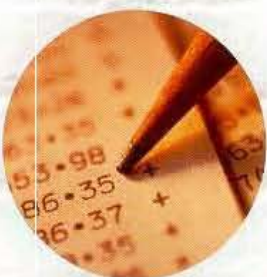


MISSOURI DEVELOPMENT FINANCE BOARD



1996 Annual Report



"To assist infrastructure and economic development projects in Missouri by providing the critical component of the total financing for projects which have a high probability of success but are not feasible without the Board's assistance."

—ADOPTED BY THE BOARD, NOVEMBER 1996

This is the challenge that the Missouri Development Finance Board has issued to itself. This mandate is the result of over fourteen years of development financing throughout the State of Missouri and is one the Board will continue to strive to meet in the coming year.

While the Development Finance Board's current legislative authorization was enacted in 1993, the Board's direct predecessors date to 1982. It was in 1982 that the state created the Missouri Industrial Development Board and the Missouri Economic Development Commission. With an initial capitalization of \$500,000, the Industrial Development Board was authorized to provide loans to small businesses and to issue industrial development bonds and loan the bond proceeds to small business borrowers. The Commission was authorized to guarantee bank and Board loans and industrial development revenue bond issues. The Commission and its successors received approximately \$6 million in appropriations over the next seven years to secure its guarantees.

In 1985 legislation was enacted which merged the Commission into the Industrial Development Board. In addition to expanding the powers of the new Board by granting it the authority to finance public infrastructure improvements, the consolidation itself accomplished several goals. The most important of these were improvements in operational efficiencies and reduced confusion over accessing programs by businesses and local economic development organizations. Primarily as a result of these changes, the number of guarantees increased from two under the Commission to 54 in the four years after the merger. Bond issuances by the newly constituted Board experienced a similar increase.

In 1989, the Board's authority continued to expand. The Board received \$1.5 million to fund a low-interest (3%) revolving loan fund for rural communities and water districts for critical water and sewer infrastructure improvements. To better reflect this additional authority, the Board's name was changed to the Missouri Economic Development, Export and Infrastructure Board.

Four years later the legislature authorized the Board's third and current name change. Simplifying the name to the Missouri Development Finance Board, the state's lawmakers also made the directors of the Department of Economic Development and the Department of Agriculture voting members of the Board. Combined with the membership of the Lieutenant Governor, the addition of those two department directors increased the Board's voting membership to twelve.

The Missouri legislature has continued its emphasis on economic development and its confidence in the Missouri Development Finance Board by expanding the Board's authority and adding to the financial incentives that are available to businesses in Missouri. In 1995, the Board and the Department of Economic Development entered into a partnership with the Export-Import Bank of the United States (Ex-Im Bank). As a city/state partner, the board provides Missouri companies local access to Ex-Im Bank programs as well as the cost savings of time and travel to the bank's headquarters in Washington, D.C.

In 1996, wide-ranging economic development legislation was enacted into law. A section of this legislation created the Business Use Incentives for Large-Scale Development (BUILD) Act and authorized the Board, in conjunction with the Department of Economic Development, to issue bonds and lend the proceeds to companies to provide funding toward major expansion of existing businesses or the location of new businesses in Missouri. As these borrowers make annual debt service payments to retire these bonds, the Board issues tax credits back to the business borrower in the amount of these payments.

Over the last fourteen years, the Board has seen its original mandates broadened and has welcomed the additional responsibilities. It has taken the charge to facilitate economic development and assist in business expansion very seriously. The Board realizes that there is much more to be done and will continue to rise to the challenge in the future.

Honorable Mel Carnahan and the People of the State of Missouri:

It is with pride and gratitude that we share with you, Governor Carnahan and the people of our State, last year's successes of the Missouri Development Finance Board. We are pleased with our 1996 achievements and are happy that our performance over the last several years has resulted in our becoming a recognized source for economic development project financing throughout Missouri.

Providing development financing in Missouri for 14 years, the Board has been operating under its current legislative mandate since 1993. Since its inception in 1982, the Board has facilitated over 215 development projects, generating over \$507,416,000 in investments and creating or retaining over 19,000 jobs.

Over the years, the Board has learned that economic development needs differ from community to community and has strived to meet those needs. Whether the project is a small, low interest loan necessary to ensure a safe water supply in rural Missouri or a multi-million dollar project necessary to eliminate deterioration and blight in the urban core of one of our large cities, the Board will provide the same thorough analysis and diligent consideration.

The confidence in our abilities and own enthusiasm about our future, however, would not exist without the continued support of the local and state officials, the media and, of course, the people of Missouri. Your continued support and our mutual dedication to the economic growth of the State of Missouri qualify our successes in 1996 and reinforce our excitement and optimism about the future.



Thomas P. Rackers



Joseph L. Driskill

Sincerely,

Thomas P. Rackers

Thomas P. Rackers, Chairman
Missouri Development
Finance Board

Joseph L. Driskill

Joseph L. Driskill, Director
Missouri Department
of Economic Development



Missouri Development Finance Board

Front row: Joan West Stricker, (Secretary), Darwin Hindman, Jr., Esq., Lynne R. Nikolaisen (Treasurer), Thomas P. Rackers (Chairman)

Back row: Joseph L. Driskill, Susan Lauman Constance, Martin E. Harrington (Vice Chairman), John Morrissey, John Saunders, John Starr, Bill Burch

Not pictured: The Honorable Roger Wilson



Missouri Development Finance Board Staff

Cynthia Tandy (Controller), Robert V. Miserez (Executive Director), Pam Campbell (Administrative Assistant), David Queen, Esq. (Board Counsel), Ashley Weaver (Export Loan Officer)



Executive Committee

Thomas P. Rackers (Chairman), Joan West Stricker (Secretary), Martin E. Harrington (Vice Chairman), Lynne R. Nikolaisen (Treasurer)



MISSOURI INFRASTRUCTURE LOAN PROGRAM

Since its inception in 1988, the Missouri Infrastructure Loan Program created loans totaling over \$2.6 million have been made by the Missouri Development Finance Board. Through this program the Board offers long-term, low-interest loans to local political subdivisions, including public sewer and water districts, to fund infrastructure improvements. Water and sewer projects addressing public health and safety are prioritized. The Program is structured as a revolving loan program with repayment proceeds used to provide additional loans for eligible infrastructure projects. Interest rates are 3% with loan terms averaging 15 years. While the maximum loan amount under this program is \$100,000, the average loan amount is \$55,000, which covers approximately 30% of the projects costs.

In 1996, the following three loans under this program were approved by the Missouri Development Finance Board:

City of New Melle

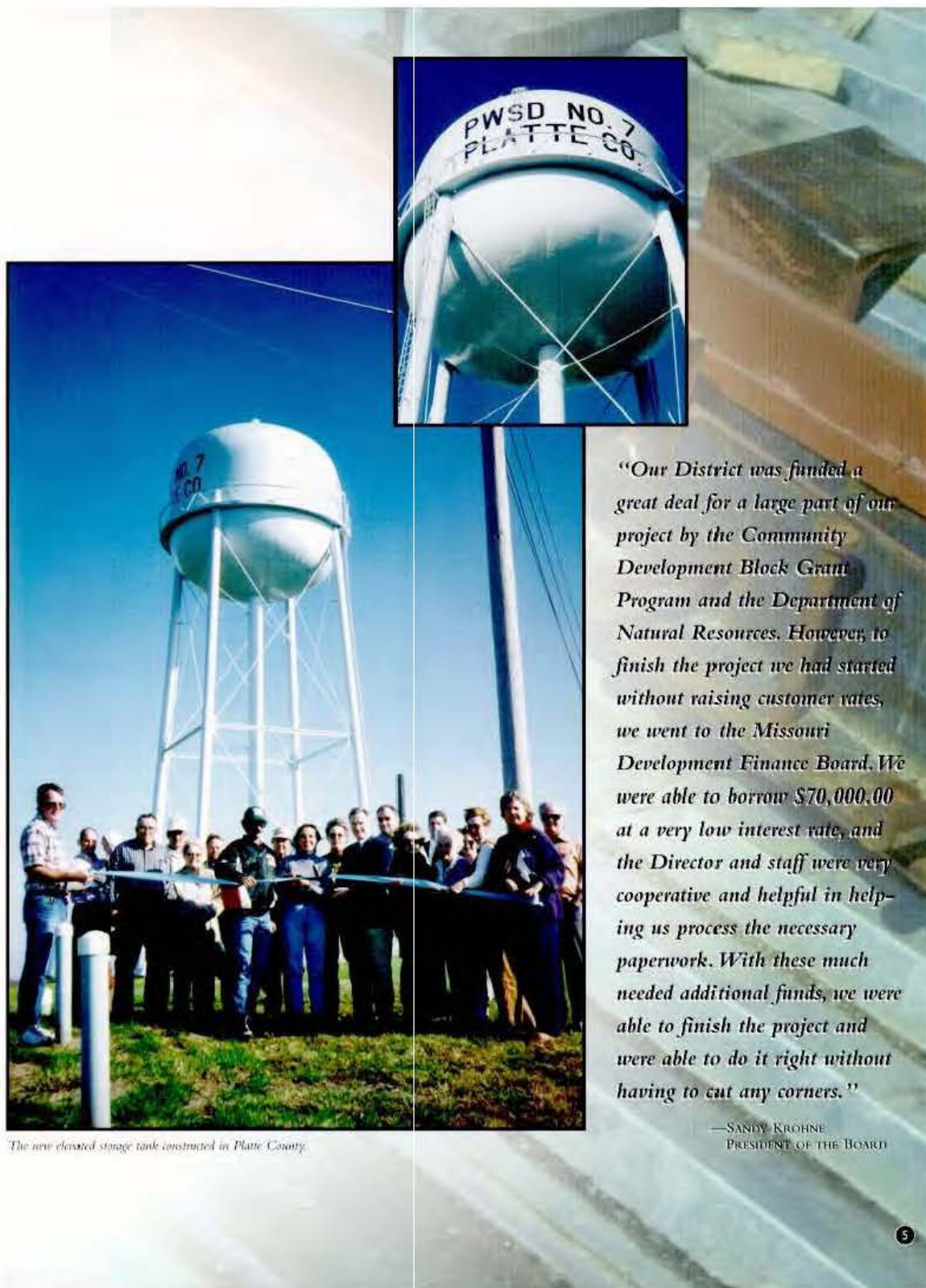
The proceeds of an \$80,000 loan approved in July 1996, were used to construct a wastewater collection and treatment system to replace existing septic tanks.

Platte County PWSD #2

In September 1995, a \$70,000 loan was approved for Platte County Public Water Service District #2. The proceeds from the loan were used to assist in financing the construction of a new elevated storage tank, the addition of a pump station and installation of additional water lines. Platte County PWSD #2 serves approximately 531 families.

City of Hayti Heights

A \$45,000 loan was approved for Hayti Heights in March 1996. The proceeds of the loan were used to help finance critically needed improvements to the sewage system. Hayti Heights is a city of 893 residents, nearly 90% of whom are classified as low and moderate income. Without the improvements, the system posed a serious health hazard.



The new elevated storage tank constructed in Platte County.

"Our District was funded a great deal for a large part of our project by the Community Development Block Grant Program and the Department of Natural Resources. However, to finish the project we had started without raising customer rates, we went to the Missouri Development Finance Board. We were able to borrow \$70,000.00 at a very low interest rate, and the Director and staff were very cooperative and helpful in helping us process the necessary paperwork. With these much needed additional funds, we were able to finish the project and were able to do it right without having to cut any corners."

*—SANDY KROHNE
PRESIDENT OF THE BOARD*



The KETC-Channel 9 facility under construction.

MISSOURI TAX CREDIT FOR CONTRIBUTIONS

The Missouri Tax Credit for Contributions program was authorized in 1989 by passage of Missouri Statute 100.286.6. Through this program, the Missouri Development Finance Board was authorized to grant tax credits equal to 50% of any moneys contributed to it. Those moneys are used to facilitate the completion of approved public improvements such as water, sewer, gas and electric systems, streets, bridges, rail spurs, storm water drainage and other essential public purpose infrastructure facilities which are owned by a public entity and available to the general public.

In 1996, the Missouri Development Finance Board granted \$4,675,000 in tax credits which facilitated the completion of five projects. The tax credits will generate \$9,350,00 in private contributions. The approved projects were:

Civic Mall (Ilu W. Davis Park) – Kansas City

The Board granted \$850,000 in tax credits to leverage contributions not to exceed \$1.7 million. This credit, in combination with the proceeds of a \$8.8 million public purpose bond issuance, will be used to finance the construction of a pedestrian park in downtown Kansas City, Missouri. As a result of the City's commitment to provide these improvements, the U.S.G.S.A. approved the construction of a \$90 million federal courthouse adjoining the park.

St. Louis Technology Incubator – St. Louis

The Board has granted \$1 million in tax credits to leverage \$2 million in private contributions to provide partial funding for this project. The funds will be used to assist in financing the building of the Biomedical Technology Incubator to be

located between Washington and St. Louis universities in midtown St. Louis. Total cost of the project is \$6,250,000, over 50% of which will be provided by a \$3,750,000 matching grant given by the U.S. Economic Development Administration (EDA).

The City of St. Louis has already acquired the land and building and will use a portion of the tax credit contributions to provide the required match for the EDA grant.

The Technology Incubator will provide low cost, high technology space to start up businesses. It is estimated that over a ten-year period, 115 companies will occupy the Incubator creating 475 jobs.

Grand Center Redevelopment – St. Louis

In December 1995, the Missouri Development Finance Board granted \$950,000 in tax credits which will generate \$1.9 million in private contributions toward this redevelopment project. The contributed funds will be used to demolish blighted buildings and prepare a one-block site in this district for the following facilities: the construction of a new facility for KETC-Channel 9, a public television station being forced to move from its existing facility; construction of a new \$8 million privately-funded educational museum center; and expansion of a contemporary arts museum.

MID.TEC Training Facility – St. Louis

In March 1996, \$1.1 million of tax credits were granted and will generate \$2.2 million in contributions for this project. The contributions will be used to provide facilities for the relocation of Midwest Manufacturing Technology Corporation of St. Louis ("MID.TEC"), a general not-for-profit corporation, into the enterprise community of the city adjacent to the central business district.

The primary goal of MID.TEC is to provide high-tech machining training programs to young adults with a concentration on minorities and the economically disadvantaged. Upon entering the program, each student will be guaranteed a job upon graduation by one of the 180 corporate members of MID.TEC.

Harley-Davidson, Kansas City

In May 1996, the Missouri Development Finance Board approved \$775,000 in tax credits to generate \$1,550,000 in contributions to provide infrastructure improvements necessary to facilitate the construction of the Harley-Davidson manufacturing plant. The location of Harley-Davidson will create 550 new permanent jobs at this facility.

In addition to approving tax credits, the Missouri Development Finance Board approved a \$1,595,000 loan to the City of Kansas City to fund additional infrastructure costs including utility connections, storm water drainage, sanitary sewers and water line extensions. The loan is secured by an annual appropriation pledge of the City.



The Case Malt (Bus W. Davis Park)—Kansas City. (The construction of the Federal Courthouse in the background.)

TAX-EXEMPT INDUSTRIAL REVENUE BONDS

"I'd like to thank the Missouri Development Finance Board for their help in arranging industrial Revenue Bond financing for our Moberly plant. The lower interest costs associated with the financing assured that the plant would be built. It also allowed us to build a pre-cast concrete building instead of a steel building. The results are 86 new jobs in Moberly and a new building and equipment on the tax role."

—BILL PERCINSKY,
VICE PRESIDENT

Pursuant to RSMo 100.270, the Missouri Development Finance Board is authorized to issue tax-exempt industrial revenue bonds. The bonds can be issued for acquisition or renovation of fixed assets owned by businesses involved in manufacturing or production of tangible products. Since 1982, the Board has issued over \$268.6 million of tax-exempt industrial revenue bonds assisting 76 companies and helping to create or retain over 14,500 jobs.

In 1996, the Missouri Development Finance Board approved the issuance of \$18.7 million in tax-exempt bonds, the proceeds of which assisted five Missouri companies. The companies were:

Graphic Technology – Joplin

A \$3 million bond issuance facilitated the acquisition and renovation of a manufacturing facility for Graphic Technology. The facility was equipped to manufacture specialized pressure sensitive label stock sold primarily to pharmacy prescription businesses. Graphic Technology estimated the creation of 50 new jobs with an annual payroll of \$800,000.

Wilson Trailer Sales, Inc. – Moberly

This manufacturer of farm, commercial and over-the-road trailers utilized the proceeds of a \$5,180,000 bond issuance to build and equip a 101,000 square foot manufacturing facility. This project created 75 new jobs.



Wilson Trailer Sales, Inc., in Moberly, Missouri.



J & J Enterprises



J & J Enterprises – St. Joseph

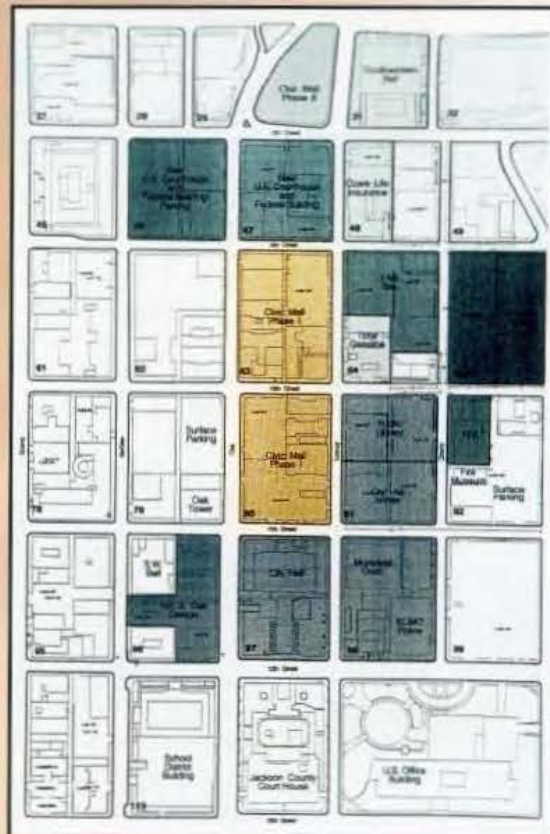
This manufacturer of commercial jacks, hoists and lifts for the auto/truck repair industry utilized the proceeds of a \$4 million bond issuance to acquire and renovate an existing building and to construct an additional new building. This enabled J & J to consolidate its operations and to allow room for future expansions. The company employed 149 workers. The consolidation and expansion immediately created an additional 12 jobs.

Quality Wood Products – Kansas City

In March 1996, Quality Wood Products used the proceeds of this \$1,420,000 issuance to refinance the balance of a 1988 Board bond issue and acquire new equipment. The acquisition of the new equipment enabled the borrower, a manufacturer of cabinets, to upgrade the quality of their products and increase shop productivity. Quality Wood Products employs 261 people at this Kansas City facility.

LaGrange Foundry – LaGrange

The proceeds of a \$5.1 million bond issuance were used to acquire, renovate and equip an existing building. LaGrange Foundry manufactures iron castings for industrial compressors and pumps. The foundry currently employs 200 people and created an additional 30 jobs as a result of this project.



Map of the Civic Mall in Kansas City

PUBLIC PURPOSE INFRASTRUCTURE BONDS

The public purpose infrastructure bond program was authorized by Missouri Statute 100.263 in 1989. Since that time, over \$180,400,000 in public purpose bonds have been induced to finance 18 projects. These bonds offer a tax-exempt, fixed-rate financing alternative for essential infrastructure improvements and related work for local governments and state agencies. In 1996, the Board approved the following project:

Kansas City Civic Mall

The Missouri Development Finance Board authorized the issuance of \$8,800,000 in infrastructure revenue bonds to be used to purchase property, demolish existing structures and make site improvements for a two block public greenspace bounded by 9th to 11th Streets and Oak to Locust Streets. Redevelopment of these blocks spurred construction of the new federal courthouse and regional Federal Aviation Administration headquarters adjoining the site along with additional city and corporate developments.

CITY / STATE PARTNERS PROGRAM

The City/State Partners Program is a joint effort between Ex-Im Bank and state and local entities around the country to bring Ex-Im Bank's financing services to small and medium-sized U.S. companies that are ready to export. Small business represents the economic sector where the greatest potential for American job and export growth lies. Despite the competitiveness of their products, smaller businesses often cannot get commercial bank export financing. Frequently they are unaware of Ex-Im Bank's programs and how to use them, or cannot make the trip to Washington to apply for financing.

To bridge the gap, Ex-Im Bank has formed partnerships with 33 state and local government offices and private sector organizations to bring its programs to the exporter at the lowest cost to the American taxpayer. Ex-Im Bank has resources in the form of loans, guarantees and insurance programs. State and local representatives have the staff and the knowledge of the local market and how to reach it. By pooling strengths in a local-federal partnership, both accomplish what neither could do alone — creating high-quality U.S. jobs and expanding the local tax base through exports.

In 1995, the State of Missouri, administered by the Missouri Development Finance Board initiated its participation in the City/State Partnership Program. The Missouri Development Finance Board markets programs offered by Ex-Im Bank and packages applications for these programs. The Board's relationship with the Ex-Im Bank provides Missouri companies a direct line to export financing. Ex-Im Bank is the U.S. government agency that finances export sales of American goods and services through guarantees, loans and export credit insurance.

The Board also works with the U.S. Small Business Administration (SBA) and the State Treasurer's Office which provides loan programs to support the production of goods and services for export.

Two of the most often cited barriers to exporting are obtaining funding and the fear of not being paid. Respectively, the working capital guarantee and insurance programs allow exporters to hurdle these barriers. These specific financing opportunities can facilitate and ensure successful exporting.

MISSOURI DEVELOPMENT FINANCE BOARD

Combined Balance Sheets

June 30, 1996 and 1995

ASSETS	1996	1995
Cash and investments	\$ 4,040,823	4,074,450
Loans and notes receivable, net	5,249,780	5,359,668
Accrued interest on investments	69,116	58,006
Accrued interest and fees on loans receivable	31,267	38,055
Prepaid expenses and other assets	666	7,604
Due from state	-	139,909
Restricted assets	4,984,155	3,017,414
Bond issuance costs, less accumulated amortization of \$26,600 in 1996 and \$21,200 in 1995	60,300	65,700
Land, building and equipment, net	2,004,563	2,066,837
Total assets	\$ 16,440,670	14,827,643

LIABILITIES AND FUND EQUITY	1996	1995
<i>Liabilities</i>		
Accounts payable and other accrued liabilities	\$ 15,318	24,374
Deferred credits	6,838,384	5,751,041
Total liabilities	6,853,702	5,775,415
<i>Fund Equity:</i>		
Contributed capital	6,400,159	6,460,159
Retained earnings	3,186,809	2,592,069
Total fund equity	9,586,968	9,052,228
Total liabilities and fund equity	\$ 16,440,670	14,827,643

MISSOURI DEVELOPMENT FINANCE BOARD

Combined Statements of Operations and Retained Earnings Years Ended June 30, 1996 and 1995

	1996	1995
<i>Operating revenues:</i>		
Participation fees	\$ 260,179	404,662
Interest income	559,373	433,251
Rental income	25,008	25,008
Contractual income	50,400	-
Other income	24,234	17,947
Total operating revenues	919,194	880,868
<i>Operating expenses:</i>		
Professional fees	26,360	29,340
Travel	31,188	38,691
Personnel services	155,443	109,925
Supplies and other	88,468	25,850
Depreciation and amortization expense	72,995	72,234
Provision for loan losses	59	258,661
Bond expense	5,000	6,105
Total operating expenses	379,513	540,806
Operating income	539,681	340,062
<i>Nonoperating income (expense):</i>		
State reimbursement for defaulted loans	59	258,661
State reimbursement for commission on informational technology	-	60,000
Commission on informational technology	-	(60,000)
Military retention	(20,000)	(90,000)
Contributions for military retention	15,000	15,000
Net income	534,740	523,723
Add depreciation on contributed capital	60,000	61,028
Increase in retained earnings	594,740	584,751
Retained earnings at beginning of year	2,592,069	2,007,318
Retained earnings at end of year	\$ 3,186,809	2,592,069

Complete auditor's report available upon request.